



## S&P/TSX Edges Higher on Strong GDP Report

### Description

Canadian equity markets edged higher on Monday on surprisingly strong economic data north and south of the border.

The **S&P/TSX Composite Index** (^OSPTX) was up 48.10 points, or 0.36%, to close at 13,448. In the United States, the **Dow Jones Industrial Average** hit a new all-time high, finishing the day up 73.47 points, 0.45%.

Canada's economy grew by 0.3% in October, higher than the consensus estimate of 0.2%.

The manufacturing industry posted a gain of 1.3%, boosted in large part by the weak Canadian dollar and a resurging American economy. Wholesale trade and retail trade advanced 1.4% and 0.3%, respectively.

The construction industry was the biggest drag on growth. Lower commodity prices left activity in the mining and energy industry unchanged.

In the U.S., it's becoming evident that the American consumer is getting back to work, opening up their wallets, and ringing up their credit bills.

U.S. consumer spending increased 0.5% in November, slightly faster than the 0.4% expansion seen the previous month. Spending slightly outpaced income growth, resulting in a drop in the savings rate. This is definitely good news for retailers as we're in the all-important holiday season.

This good report comes only a few days after third-quarter GDP growth in the United States was revised upward to an annual pace of 4.1%, the biggest increase in two years thanks to stronger consumer spending.

All of this is a longwinded way of saying that five years after the Great Recession, it looks like the U.S. economy is finally revving up. As our No. 1 trading partner, this is great news for Canada — especially Ontario and Quebec manufacturers, which have been struggling.

In corporate news, **Reitmans Canada** (TSX:RET.A) rallied 8.98% to \$6.92 after **Fairfax Financial Holdings** announced that it had purchased 2 million shares in the troubled retailer, increasing its stake to 13.8% of outstanding shares. The action is a vote of confidence from Fairfax head and one of Canada's top value investors Prem Watsa.

Reitmans has been shutting down underperforming stores and slashing its dividend in a desperate attempt to turn itself around. No doubt Fairfax will be looking to shake things up in its typical activist style.

However, it's important to note that the Reitman family still owns a controlling stake in the company. Unlike previous shareholder activist campaigns such as **Barrick Gold**, there's little that disgruntled investors can do to force change. If Mr. Watsa is going to push any action at Reitman, he's going to need to be diplomatic.

### **Foolish bottom line**

As a heads up, the Toronto exchange is scheduled to close early tomorrow for Christmas Eve, and will be closed for both Christmas Day and Boxing Day. New York is closed just for December 25.

### **CATEGORY**

1. Investing

### **Category**

1. Investing

### **Date**

2025/07/06

### **Date Created**

2013/12/23

### **Author**

rbaillieul

default watermark

default watermark